

**Attorney General's
Second Set of Information Requests**

**THE BERKSHIRE GAS COMPANY
D.T.E. 02-19**

Witness: Karen L. Zink
Date: June 14, 2002

Question:

AG-2-1 Refer to the Company's response to AG-1-2 and AG-1-3 (last page of the attachments). Please explain, in detail, how the \$131,000 savings were generated and why the underlying transactions were not considered to be part of the BP alliance agreement transactions. Provide all supporting documentation regarding gas storage levels, pricing of storage withdrawals, and invoices for gas that generated the savings. Include all calculations, workpapers, assumptions and documentation supporting the calculation of the \$131,000 savings.

Response: [INTENTIONALLY OMITTED]

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**THE BERKSHIRE GAS COMPANY
D.T.E. 02-19**

Witness: **Karen L. Zink**

Date: **June 14, 2002**

Question:

AG-2-2 Refer to the Company's response to AG-1-3. Please provide the "optimization savings" details for the month of June 2001.

Response: Please see the attached which was inadvertently omitted in the original response to AG-1-3.

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****PROTECTED TREATMENT****

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D.T.E. 02-19**

Witness: Karen L. Zink

Date: June 14, 2002

Question:

AG-2-3

Refer to the Company's response to DTE 1-1. Please provide copies of all of the "detailed evaluations" of BP's performance including evaluations, analyses or reports comparing the results achieved under the alliance agreement and market pricing. Explain how the evaluations were performed and include all supporting data, calculations, workpapers, and assumptions.

Response:

As noted in the Company's response to Information Request D.T.E. 1-1, the Company monitored BP Energy's performance throughout the term of the agreements approved in D.T.E. 01-41. As an initial matter, the Company worked closely with BP Energy on a daily basis. Thus, the Company was aware of BP Energy's performance. In addition, the Company evaluated the monthly determinations of optimization savings reflected in the response to Information Request AG 1-3. Optimization savings were considered in the context of market conditions, demand for natural gas, and weather conditions. These factors influence the opportunities for optimization activities. Berkshire also meets regularly with its affiliated gas companies to discuss a variety of gas supply issues, including the performance of the optimization alliance.

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Witness: **Karen L. Zink**

Date: **June 14, 2002**

Question:

AG-2-4

Please provide a chronological listing of all charges and fees assessed by BP to Berkshire and all charges and fees assessed by BP to the other EE companies during the term of the original alliance agreement. Include copies of all invoices with dates paid, a description of each charge/fee and explain the basis for each with citations to appropriate agreements for the authority to assess the charges/fees.

Response:

There are no charges or fees assessed by BP to Berkshire or the other EE companies. The only bills paid to BP are for the purchase of gas supplies.

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**THE BERKSHIRE GAS COMPANY
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Witness: Karen L. Zink

Date: June 14, 2002

Question:

AG-2-5 Please provide all details of all transactions related to the Company's gas supply arrangement with BP for the period April 1, 2001 through March 31, 2002. Include all invoices with a summary showing monthly invoice amounts, quantities purchased and unit prices (identify separately fixed and variable price components). What is the maximum amount of gas that may be provided by BP for the term of the current gas supply contract and what are the pricing terms for that supply.

Response: The monthly invoices provided by BP are attached. Please see the response to D.T.E. 2-2 for a summary of transactions reflected on the invoices and the response to D.T.E. 1-27 for a copy of the transaction book. Theoretically, the maximum amount of gas that may be provided daily by BP for the term of the current gas supply contract is 14,751 Dth, assuming no migration. However, BP is only obligated to provide up to 4,198 Dth per day. The pricing terms are outlined in the Gas Sales and Purchase Agreement in Section V.

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Witness: Karen L. Zink

Date: June 14, 2002

Question:

AG-2-6 Refer to the Company's response to DTE 1-6 and Ms. Zink's testimony, pp. 10-11. Describe in detail the individual contract terms and conditions, including pricing and cost/revenue allocations, differ from the original alliance agreement with BP. Include citations to specific sections in the contracts.

Response: Attachment AG 2-6(a) provides a description of the substantive changes from the 2001 to the 2002 Optimization Agreements.

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Witness: **Karen L. Zink**

Date: **June 14, 2002**

Question:

AG-2-7 Please provide copies of all Energy East affiliate agreements that are currently in effect. If these are amended agreements, provide the original agreements and all interim amendments.

Response: All of the Energy East affiliate agreements related to the alliance structure were provided in either the Company's initial filing or the Company's response to Information Request AG 1-19.

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**THE BERKSHIRE GAS COMPANY
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Witness: Karen L. Zink

Date: June 14, 2002

Question:

AG-2-8 Refer to the Company's response to DTE 1-7. Will the Company seek to recover the cost of the daily gas supply planning services provided by its affiliates through the CGA? What was the test year cost for these types of services that was approved by the Department in the Company's most recent rate case? Provide all supporting documentation, workpapers, calculations and assumptions.

Response: The Company has not determined whether it will seek to recover the cost of the daily gas supply planning services provided by its affiliates through the CGA. There were no test year cost for these types of services in the Company's most recent rate case. The test year was Calendar Year 2000 and the gas supply planning services provided by its affiliates did not begin until April 2001.

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Witness: Karen L. Zink

Date: June 14, 2002

Question:

AG-2-9

Refer to the Company's response to DTE 1-8. Please provide a copy of the preliminary and the final audit report. Describe the audit report and review process. Explain what actions or activities the parties are taking as a result of the audit and how any related changes have been incorporated in formal agreements between the parties. Include citations to specific sections in the agreements.

Response:

The audit report entailed a review of: (1) all Agreements executed pursuant to the Alliance; (2) information provided by BP Energy that supports the optimization savings; (3) the transaction book; and (4) procedures in place to record and monitor the transactions. Auditors supplemented the information in the transaction book with records that supported costs of storage injections and withdrawals; inventory; and, quantities and prices of gas sold and purchased.

The audit is in the process of being finalized and will be provided as soon as it is completed.

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Witness: Karen L. Zink
Date: June 14, 2002

Question:
AG-2-10

Refer to AG-1-3. Was the “guaranteed minimum payment/savings” specified in the alliance contract with BP exceeded? If yes, what was the total amount of the savings and how much was allocated to each of the Energy East Companies, including Berkshire. If no, what was the amount of the “guaranteed minimum payment” and how much was allocated to each of the Energy East Companies, including Berkshire, and when were the payments received? Provide all supporting documentation, workpapers, calculations and assumptions.

Response: The guaranteed minimum payment/savings specified in the alliance contract with BP was exceeded. The total amount of savings, and the amount allocated to each of the Energy East Companies was provided in the response to AG-1-3. Payments were received quarterly.

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Witness: Karen L. Zink

Date: June 14, 2002

Question:

AG-2-11

Refer to the Company's response to DTE 1-27. Please explain and define each column heading, clarify who is the seller and who is the buyer, explain the reason for and significance of the "Customer" designations, and explain whether the "Quantity" is the actual volume purchased or sold during the month. Why are the transactions not reported for specific dates and times? Describe how the transaction data were entered into the "transaction book", what other data were entered at the same time and how are the "transaction book" data verified and validated. Was the "transaction book" produced during discovery in this proceeding, the actual "transaction book" used by Energy East and its affiliates during the term of the Portfolio Optimization agreement approved in DTE 01-41, or was the "transaction book" prepared specifically for this proceeding?

Response: Each column heading in the transaction book is defined below:

Deal ID – this is the master number for a transaction

Deal Component – each transaction may be made up of numerous locations which is listed as the deal component numbers

Month – This is the month in which the transaction was entered into. While the time is not listed on this printed, all deals must be entered into the system by 4:00 pm on the day the transaction occurs.

Customer – This is the counterparty to the transaction

Effective from/to – Date the transaction begins and ends

Deal Category – The transactions book reflects all sales and purchases. A sale occurs when there is a sale from the alliance to a third party, including the LDC. A purchase occurs where there is a purchase of gas by the alliance from a third party, including the LDC.

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Question:

Point – This is the delivery or receipt point of the transaction

Price – This is the price of the transaction

Quantity – These are the volumes sold or purchased in the transactions

Company – This will always reflect BP Energy Corporation since they enter into the transactions on behalf of the alliance

Team – This will always reflect the Energy East Alliance since the transaction book reflects only transactions made on behalf of the alliance.

Representative – This is a BP Energy employee who enters into the transaction

Contract – This is an internal number for BP so they can identify the contracting party

Book Name – This identifies the location of the transactions and what LDC is involved in the sale or purchase, as well as the purpose of the deal

The transaction book provided in the response to D.T.E. 1-27 is the actual transaction book and was not prepared specifically for this proceeding. As part of the audit described in the response to Information Request AG-2-9, entries to the transaction book were reviewed and confirmed.

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**THE BERKSHIRE GAS COMPANY
D.T.E. 02-19**

Witness: Karen L. Zink

Date: June 14, 2002

Question:

AG-2-12 Refer to the Company's response to DTE 1-27. Please explain, in detail, how "savings" were determined based on the entries in the transaction book. Provide the "savings" calculations that correspond to each transaction appearing in the transaction book. Include all supporting workpapers, calculations and documentation.

Response: The net revenue (savings) are calculated by subtracting all purchases from sales, less transportation and variable costs for all transactions that are reflected in the transaction book. Any financial position taken would also impact the final savings determination. The audit to be provided will describe and document in greater detail the actual determination of savings.

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**THE BERKSHIRE GAS COMPANY
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Witness: Karen L. Zink
Date: June 14, 2002

Question:
AG-2-13

Please provide the details of all capacity release transactions that the Company entered into each month during the period April 1, 2001 through March 31, 2002. Include the party's name, the cost of the capacity to Berkshire, the price paid to Berkshire for the released capacity, the amount flowed through the CGA, the volume released and the term of each release, and indicate for each transaction whether it was a mandatory assignment of capacity. Do the current or prior BP contracts' terms restrict the Company's ability to release or sell its excess capacity? If yes, please describe the restrictions and provide citations to the controlling sections of the agreements.

Response: There were limited capacity release transaction that the Company entered into during the period April 1, 2001 through March 31, 2002 pursuant to the alliance. All other capacity release transactions were pursuant to a mandatory assignment of capacity. See the summary attached for capacity release information.

The current and prior BP contracts' terms do not restrict the Company's ability to release or sell its excess capacity. However, the less capacity that is provided to the alliance, the less optimization that may be earned for the LDC.

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Witness: Karen L. Zink

Date: June 14, 2002

Question:

AG-2-14 Refer to Ms. Zink's testimony, p. 7. Please explain what the specific differences would be in structuring an extension of the BP arrangement based on historic experience compared to an extension based on current market conditions.

Response: The primary factor that would change based upon the application of historical experience or current market conditions would be the level of savings that would flow to the Company from optimization transactions. The Company believes that optimization efforts must further the Company's portfolio objective of continuing to secure a least-cost supply of natural gas for the benefit of customers. Optimization savings provide the greatest benefit to customers during periods of higher prices and greater volatility. Thus, given the two year term of the alliance arrangement, the Company determined that it was beneficial to customers to maintain the opportunity to secure the maximum optimization savings during such market conditions. The Company nevertheless sought to secure benefits under the alliance if then current market conditions persisted. This goal was achieved pursuant to the negotiation of an increase to the "Aggregate Minimum Savings."

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Witness: Karen L. Zink

Date: June 14, 2002

Question:

AG-2-15

Please provide a monthly listing of all gas supply contracts that were in effect during the period April 1, 2001 through March 31, 2002, indicate the actual amount of gas that was purchased under each contract each month and the amount paid each month under each contract (identify separately the fixed and variable price components and if the gas price is based on an index, identify the index and provide the value of the index for during each month). Include all supporting documentation, invoices, workpapers, calculations and assumptions.

Response:

The gas supply contracts in effect during the period April 1, 2001 through March 31, 2002 are listed on Exhibit B-1 of the Gas Portfolio Optimization Agreement. The contract with Ditrigas of Massachusetts Corporation (DOMAC) is not part of the alliance and is not included with this response. Please see the attached invoices for all applicable monthly information. The BP invoices have been provided in the response to AG 2-5.

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Date: June 14, 2002

Question:

AG-2-16 How did Berkshire monitor its level of "savings" under the Portfolio Optimization agreement? Produce copies of all Berkshire, Energy East, Energy East affiliate and BP reports, memoranda, accounting or any other documentation related to "savings" under the Portfolio Optimization agreement approved in DTE 01-41.

Response: Please see the Company's response to D.T.E. 2-6.

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**THE BERKSHIRE GAS COMPANY
D.T.E. 02-19**

Witness: Karen L. Zink

Date: June 14, 2002

Question:

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